

Recommendations of the Manufacturing Development Commission for Repatriating Manufacturing Jobs and Evaluating Possible Tax Incentives

The 2011 General Assembly directed the Manufacturing Development Commission under House Joint Resolution No. 735 (2011) to develop a plan for repatriating manufacturing jobs and evaluating possible tax incentives. The legislative component of the plan consisted of the following recommendations for legislation (Source: House Document No. 11; 2012):

1. Request JLARC to analyze why the manufacturing sector pays a disproportionately large share of the state's corporate income and other taxes and to identify measures to eliminate this disparity.
2. Request the Department of Taxation to study the consequences and costs of permitting manufacturers to offset their local machinery and tools tax payments against certain state taxes.
3. Provide that the assessed value of machinery and tools for property taxation be limited to the depreciated value of the machinery and tools consistent with Internal Revenue Service rules.
4. Exempt new investments from the machinery and tools tax.
5. Provide for a five percent corporate income tax rate for those corporations that increase their employment by such an amount that the increase in individual income tax payable by their new employees offsets the reduction in the amount of the employing corporation's corporate tax liability (as reduced from a rate of six percent to a rate of five percent).
6. Increase, from two-thirds to 100 percent of the federal deduction under § 199 of the Internal Revenue Code, the amount that manufacturers may deduct for domestic production activities.
7. Exempt manufacturers from BPOL tax liability for retail sales made at a store located at the site of the products' manufacture.

8. Request the Commission on Electric Utility Regulation to study the feasibility of requiring a state agency to conduct a cost-benefit analysis of the economic impact on manufacturing of any proposed legislation to change the laws governing the regulation of the electric energy industry, which analysis would be completed prior to enactment of such legislation.

9. Encourage combined heat and power projects for high energy users, which may include local tax exemptions such as are provided to producers of electricity from landfill gas.

10. Reduce the cost of environmental permitting by requiring the responsible regulatory board to automatically issue a permit for a facilities project that will replace an existing permitted facility when the new facilities will generate less pollution.

11. Prohibit state water quality regulations that are more stringent than federal requirements.

12. Require the SOLs to provide that credits for career and technical education may be used in lieu of SOLs in areas other than English, mathematics, and science (for example, replacing the history/social science SOL).